

FISCAL NOTE

Bill #: HB0459

Title: Three-year averaging for school funding

Primary Sponsor: Brown, R

Status: As Amended in House Committee

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	<u>FY 2004 Difference</u>	<u>FY 2005 Difference</u>
Expenditures:		
General Fund	\$0	\$7,100,000
Net Impact on General Fund Balance:	\$0	(\$7,100,000)

- | | |
|---|--|
| <input checked="" type="checkbox"/> Significant Local Gov. Impact
<input checked="" type="checkbox"/> Included in the Executive Budget
<input type="checkbox"/> Dedicated Revenue Form Attached | <input type="checkbox"/> Technical Concerns
<input checked="" type="checkbox"/> Significant Long-Term Impacts
<input checked="" type="checkbox"/> Needs to be included in HB 2 |
|---|--|

Fiscal Analysis

ASSUMPTIONS:

- HB 459 is contingent on passage and approval of HB 345, which is "Revise treasure state endowment funding". It is assumed that HB 345 passes and approved. HB 345 frees up general fund that can be used to offset the general fund expenditure required by HB 459. This impact is not shown in this fiscal note.
- Beginning in the 2004-2005 school year, HB 459 calculates a school district's basic and per-ANB entitlements using the current average number belonging or the average number belonging calculated over a three-year period. Districts with growth in enrollment of greater than 6% from the prior year will be able to increase their ANB by the amount exceeding 6%.
- The average number belonging (ANB) in K-12 public schools will be as follows:

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
K-6 ANB	76,057	73,619	72,044
7-8 ANB	25,082	25,546	25,220
9-12 ANB	50,366	50,100	49,277
Totals	151,505	149,265	146,541

- Under HB 459, the average number belonging (ANB) in K-12 public schools will be as follows:

K-6 ANB	76,057	73,619	74,020
7-8 ANB	25,082	25,546	25,348
9-12 ANB	50,366	50,100	49,972
Totals	151,505	149,265	149,340

- The basic and per-ANB entitlements would remain at FY 2003 levels for FY 2004 and FY 2005. The basic and per-ANB entitlements would be set as follows:

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(continued)

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY2005</u>
Basic entitlement EL	\$19,244	\$19,244	\$19,244
Basic entitlement HS	\$213,819	\$213,819	\$213,819
Per-ANB entitlement EL	\$3,906	\$3,906	\$3,906
Per-ANB entitlement HS	\$5,205	\$5,205	\$5,205
Direct State Aid Percentage	44.7%	44.7%	44.7%

6. The statewide taxable valuation will increase by 4.0% in FY 2004 and by 5.5% in FY 2005.
7. Under current law, direct state aid will be \$319.27 million in FY 2004 and \$314.03 million in FY 2005. Special education payments will be \$34.91 million in FY 2004 and FY 2005. Guaranteed tax base aid to schools will be \$97.83 million in FY 2004 and \$94.93 million in FY 2005.
8. HB 459 does not affect the state special education appropriation.
9. Under HB 459, direct state aid will be \$319.27 million in FY 2004 and \$319.15 million in FY 2005. Guaranteed tax base aid paid to schools will be \$97.83 million in FY 2004 and \$96.90 million in FY 2005.
10. If school district general fund budgets increase, increased salaries will lead to higher district retirement costs. District retirement costs are charged to the county retirement levies and state retirement guaranteed tax base (GTB) aid. Since the increase in budget authority in this bill will offset a significant portion of over BASE and over maximum budgets the majority of the additional budget authority is anticipated to decrease local taxes and not increase local budgets.

FISCAL IMPACT:

	<u>FY 2004</u> <u>Difference</u>	<u>FY 2005</u> <u>Difference</u>
<u>Expenditures:</u>		
Local Assistance	\$0	\$7,100,000
<u>Funding of Expenditures:</u>		
General Fund (01)	\$0	\$7,100,000
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	\$0	(\$7,100,000)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

1. The majority of school districts have decreasing enrollment. The BASE and maximum amounts for these districts will increase. Districts with decreasing enrollments will see increases in their maximum budget amounts unless they have implemented the provisions for "soft caps" provided in 20-9-308 MCA. 87 districts have budgets above the maximum amount in FY 2003 under the provisions of "soft caps". An additional 22 districts use their grand fathered above maximum budgets also provided in 20-9-308 MCA. These districts may not see an increase in the budget that they are allowed under law.
2. HB 459 removes the "soft caps" provided in 20-9-308 MCA. Under HB 459, most districts will have maximum budgets as high or higher than the districts using the "soft cap" maximum. Some districts will have lower maximum budgets with the removal of "soft caps".
3. School districts with increased budget authority will respond to HB 459 in two ways. Most districts will increase general fund spending; others will provide property tax relief. Some districts will combine the two approaches. Districts that are currently spending at the BASE budget level will be required to increase spending and local property taxes to achieve the new BASE level. Increases in property taxes to support the over-BASE portion of school district budgets will require voter approval.
4. School districts with increasing enrollments will have lower BASE and maximum budgets.

LONG-RANGE IMPACTS:

The additional cost as a result of this bill is anticipated to decrease when enrollments stabilize or increase.